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JULY 23, 1982

ige Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

BI Week

• Pabst's newest entry into the light beer market, Jacob Best Premium Light, currently in 15 test markets. More regional markets to be added in 90 days, national rollout expected by fourth quarter '82. Pabst positioning brand firmly against Miller Lite, currently holding 60% of light beer market share. Ad campaign includes 10-second teaser spots before brand introduction into marketplace, followed by, 30-second spots featuring Jacob Best, Pabst founder, in "humorous" situa-

(Continued on page 27)

Caffeine may get FDA 'prior sanction' status

WASHINGTON, DC — At least from a regulatory standpoint, the caffeine debate may abate since the Food and Drug Administration is reevaluating its stance on the ingredient, and is leaning towards giving caffeine prior sanction status.

Before the 1958 Food Additives Amendment Act, substances were presumed safe until proven otherwise, and were considered to have "prior sanction" status. Since 1958, though, additives have been subjected to a lengthy review process before they could be approved and marketed.

Many of today's Generally Recognized As Safe (GRAS) substances also happen to have prior sanction status — something some FDA attorneys feel should also apply to caffeine. Until recently, however, they were unsuccessful in convincing the agency of that point. That could now be changing.

In October 1980, FDA pro-

(Continued on page 26)

BI Package of the Week

Sweet'n Low soft drinks debut in Twin Cities. P.9.

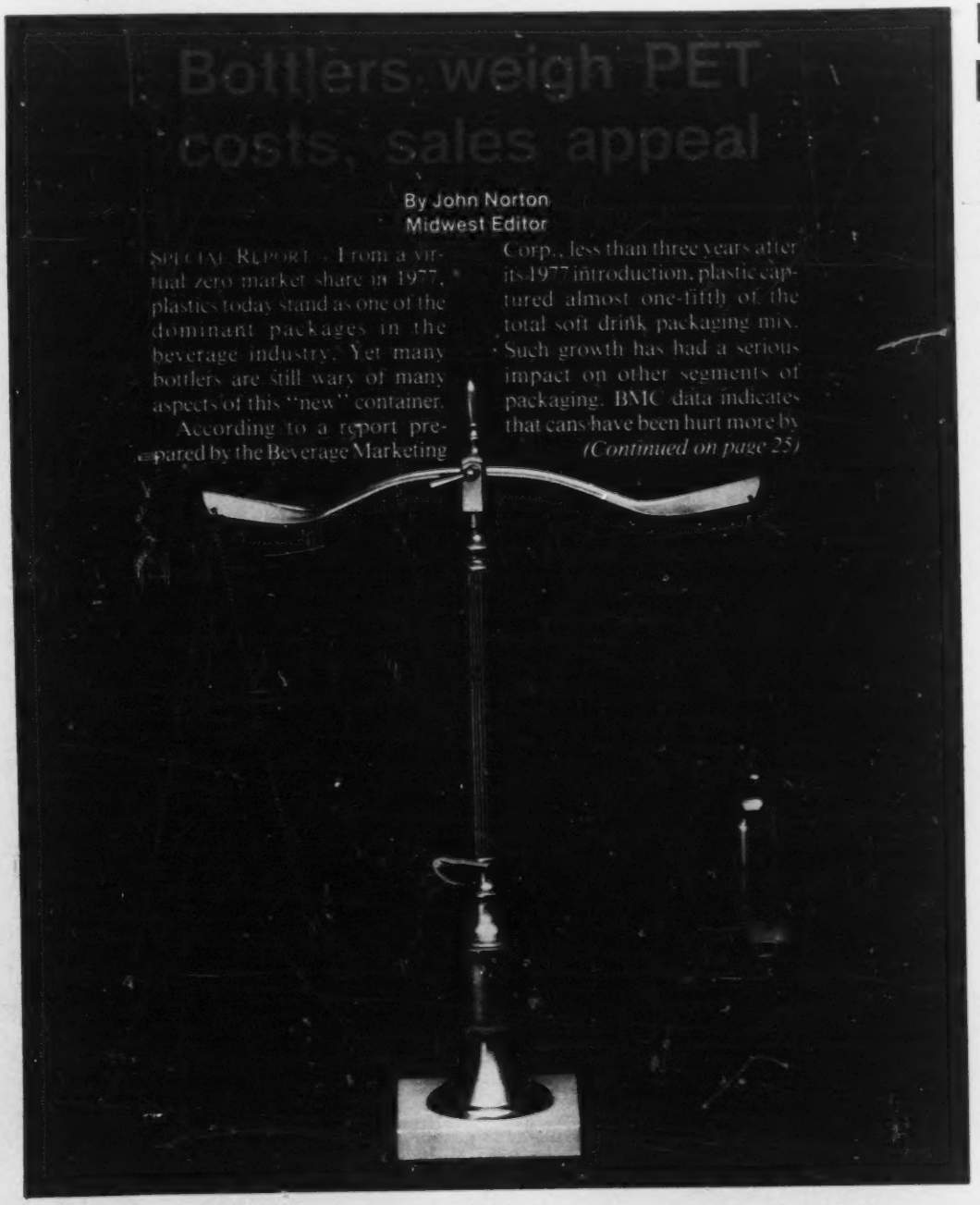
Bottlers weigh PET costs, sales appeal

By John Norton
Midwest Editor

SPECIAL REPORT — From a virtual zero market share in 1977, plastics today stand as one of the dominant packages in the beverage industry. Yet many bottlers are still wary of many aspects of this "new" container.

According to a report prepared by the Beverage Marketing Corp., less than three years after its 1977 introduction, plastic captured almost one-fifth of the total soft drink packaging mix. Such growth has had a serious impact on other segments of packaging. BMC data indicates that cans have been hurt more by

(Continued on page 25)



New York bottle bill could bolster a national effort

NEW YORK, NY—New York State's recently-approved forced deposit law goes into effect July, 1983, so it's too early to predict, quantitatively, all the potential repercussions. However, the law will be costly to consumers and the industry. Also, there's a strong possibility that New York's move will help persuade many other states to at least seriously reconsider the issue.

The Northeast is especially vulnerable. This region has now emerged as a bastion of the bottle bill. Of the nine states with forced deposit laws, six are in the Northeast. A Massachusetts bottle bill also takes effect in 1983, but this November voters will have a chance to repeal it.

Sidney Mudd, chairman of Joyce Beverages, New Rochelle, NY, who led the fight against forced deposits in his state, says New York's bottle bill "does not strengthen our position. It will have an effect on other states."

Of course, Mudd and his allies haven't given up. New York's bottle bill will be subjected to intense review as to its constitutionality. Perhaps momentum can be built for a repeal measure, as in Massachusetts.

In the meantime, John Downs, manager of state and local affairs at NSDA says, "We're not shocked, but we are anxious over the New York situation. The consumer is the one that will be hurt by this measure."

(Continued on page 4)

Govt. warns of cancer threat to heavy drinkers

WASHINGTON, DC — For a variety of health and safety reasons, consumers who drink have long been warned to do so in modernization. Now, a quasi-government group has suggested another reason to imbibe with caution — cancer.

In "Diet, Nutrition and Cancer," the National Academy of Science's National Research Council (NRC) not only calls for alcohol use "in

(Continued on page 14)

ATF to remain intact for now

WASHINGTON, DC—After months of speculation and fear about its future, the Bureau of Alcohol, Tobacco and Firearms will now remain as is — at least until the end of the fiscal year.

While there had been talk of cutting back its funds, staff and alcohol regulatory responsibilities, the beleagured bureau will remain intact with $23.8m million to operate with until September 30. Of this amount, $15 million is specifically earmarked for enforcement of the Federal Alcohol Administration Act.

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BRJ A HARCOURT BRACE JOVANOVICH PUBLICATION

NY deposit law: What's the impact?

New York state's recently approved deposit law has raised a number of questions as to how it will affect consumers and the industry. Will the consumer be hurt by this measure? Will the New York law have impact on the deposit legislation pending elsewhere? For a news analysis of the recent legislation, see story on **page 1.**

PET holds steady in packaging

Plastics stand as the dominant package in the beverage industry, according to a recent Beverage Marketing Corp. report. While plastics continue to capture almost one-fifth of the total soft drink packaging mix, causing serious decline in the market share for cans and returnables, bottlers are still wary of this "new" container. Find out why on **page 1.**

New SD report available from BMC

Never before published gallonage figures and container mix by region are now available from Beverage Marketing Corp. National and regional statistics on bulk vs. packaged trends and other valuable data is revealed in this report. See **page 4.**

Aspartame drink mixes hit selected markets

Country Time Lemonade and Crystal Mix powdered drink mixes are among the first six products bearing the NutraSweet trademark name for Aspartame to hit selected markets. Makers of Aspartame, G.C.Searle & Co., believe these products, the end result of 15 years research, will "shake up this market." Find out more on **page 7.**

Sweet'n Low names diet drink line

Sweet'n Low beverages will be hitting store shelves in eight flavors in the St. Paul-Minneapolis area in early August. Rights to use the name have been granted to MBC Beverage Inc. for use on a full line of diet soft drinks. To date, 13 flavors have been formulated. Package of the Week, **page 9.**

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HBJ A HARCOURT BRACE JOVANOVICH PUBLICATION

Beverage Marketing Corp. releases SD report

MINGO JUNCTION, OH—A new U.S. soft drink report containing hard gallonage figures and container mix by region is now available from Beverage Marketing Corp. here.

The 1981 Soft Drink Market and Packaging Report utilized Beverage Data Bank proprietary information and reputable secondary sources in the compilation of sales, packaging and flavor trends, according to Janet Fanshaw, BMC vice president.

Contained in that report are national and regional statistics on bulk vs. packages trends revealing never-before-published figures that put the region-by-region market shares for bulk much higher than were previously believed (see regional breakdown).

While Beverage Marketing agrees with the generally accepted national figure for bulk share of market, 22.4%, the report credits the Pacific region with the highest fountain beverage sales, constituting 26.5% of the total market. Both the Southwest and West regions have market shares that surpass the national average, 24.8% and 24.6% respectively.

gallonage up

Fed by the fast food boom, this segment of the market has experienced a significant increase in gallonage since 1970. Although share of market gains are only slightly more than four percentage points over this time span, from 18.3% in 1970 to 22.4% in 1980, gallonage more than doubled. In 1970, the industry produced 835 million gallons sold in bulk; by 1980 that figure had reached nearly 1.9 billion gallons. Beverage Marketing predicts that by 1985, 2.36 billion gallons will be sold in fountain outlets, accounting for 23.1% of total sales.

In compiling the report, Bev-

(Continued on page 10)

Forced deposits

(Continued from page 1)

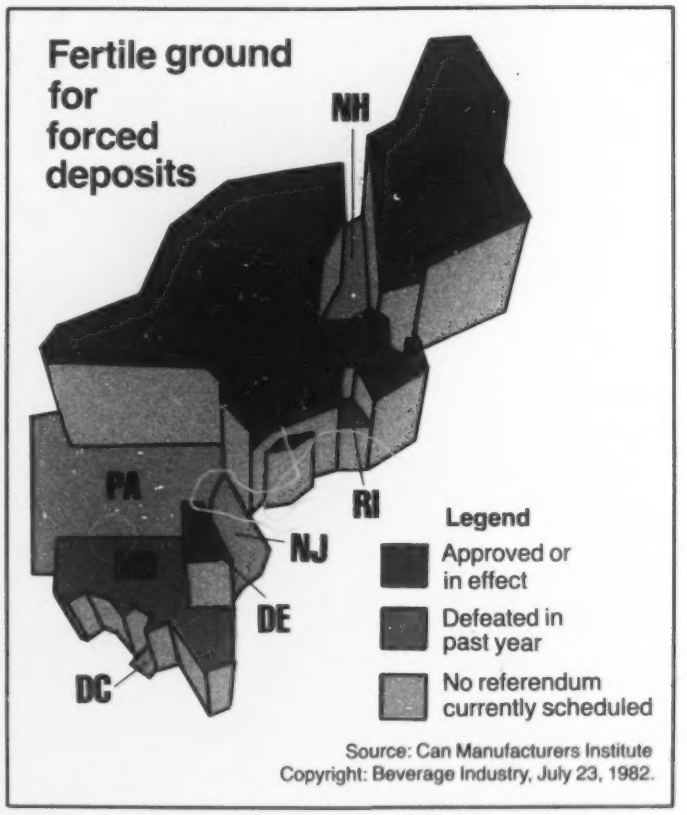
Mudd had stronger words of warning: "There will be a debacle in New York State when the consumers find out what has happened." Mudd had previously contended that the proposed bottle bill would cost consumers $400 million.

Downs says he doesn't think the New York law will have much of an impact on pending forced deposit legislation in the West. Washington, Colorado, California and Arizona will vote on bottle bills this year. States outside the Northeast with bottle bills on the books are Oregon, Michigan and Iowa.

Northeast

Back in the Northeast, Maryland defeated a statewide bottle bill this year; New Jersey has several bottle bills up for consideration, but Governor Kean has said he opposes forced deposits, and besides, New Jersey has in place a Recycling Act, which encourages voluntary community recycling by helping pay the costs with government grants; two deposit bills came up in the Pennsylvania legislature this year, one of which was withdrawn by the sponsor, with no other action taken; six deposit bills were introduced in Rhode Island and

(Continued on page 24)

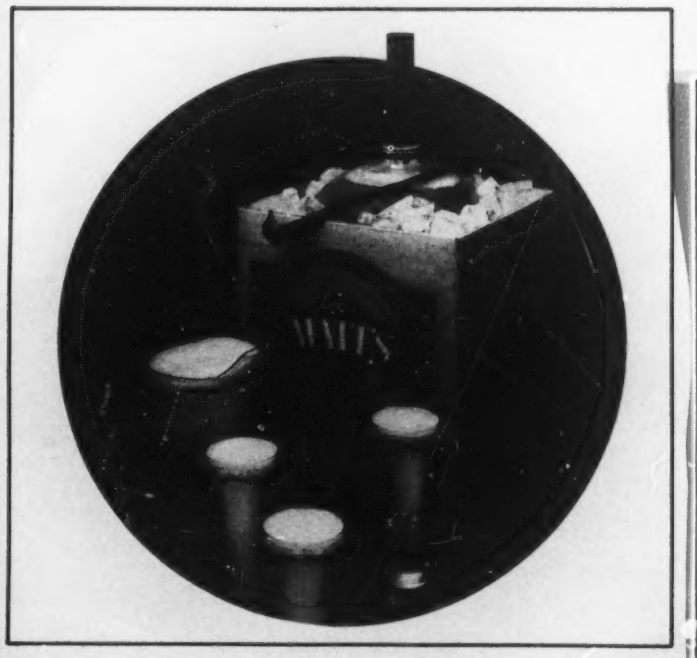


Matt's opts for PET Beerball drops HDPE

UTICA, NY — F.X. Matt Brewing Co. is phasing out its high-density polyethylene Beerball containers for retail sale of draft beer, and is replacing them with clear polyethylene terapthalate (PET) Beerballs. Matt is the first brewery to make the PET containers in-house.

Since 1977, Matt has sold over 500,000 HDPE Beerballs in its northeastern U.S. market *(See BI, Feb. 19, 1982, pg.4).*

(Continued on page 10)



Total wine shipments reach 504.7 mil. gal.

NEW YORK, NY — Last year, table wines accounted for 77.1% of total U.S. wine sales, according to Impact Databank statistics. Total wine shipments reached 504.7 million gallons, 5.6% better than 1980.

According to Impact, wine is the fastest-growing beverage catagory in America; per capita consumption in 1981 was 2.2 gallons per total U.S. population; 3.1 gallons per adult population.

Table wine volume last year grew by 7.6%, compared with '80, to 389.1 million gallons. Sparkling wines were up 12.8% to 34 million gallons, the largest percentage increase of the major wine types. Dessert wine, vermouth and special natural wine all lost market share, Impact says.

Imported wines sold better

(Continued on page 20)

Imports of table wine into U.S. by country of origin

Country	1980 % of market	1980 thousand gallons	1981 % of market	1981 thousand gallons	Percent change 1980-81
Italy	59.6%	54,259.2	59.4%	59,859.9	10.3%
France	12.5	11,380.6	14.9	15,053.6	32.3
Germany	12.8	11,659.0	12.9	13,034.0	11.8
Portugal	6.2	5,683.4	5.3	5,366.4	– 5.6
Spain	5.3	4,804.5	4.0	3,979.8	– 17.1
Greece	0.6	572.9	0.6	570.7	– 0.4
Yugoslavia	0.3	312.4	0.4	349.6	11.9
Hungary	0.3	233.3	0.3	305.6	31.0
Chile	0.2	272.2	0.3	272.2	22.4
Argentina	0.2	177.1	0.2	192.6	8.7
Other	2.0	1,811.6	1.8	1,844.1	1.0
Total	100.0%	91,116.5	100.0%	100,828.5	10.7%

Source: IMPACT DATABANK

Copyright: Beverage Industry, July 23, 1982

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Regional breakdown

Northeast: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.

South: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennesse, Virginia.

East Central: Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, Wisconsin.

West: Colorado, Idaho, Montana, Nevada, Wyoming.

Southwest: Arizona, New Mexico, Oklahoma, Texas.

West Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

Pacific: Alaska, California, Hawaii, Oregon, Washington.

SD report

(Continued from page 4)

erage Marketing contacted the 1,653 U.S. filling operations, as well as key industry members to verify trends, according to Fanshaw.

production gallons

"The figures in this report are actual indicators of the true soft drink marketplace," Fanshaw told **Beverage Industry.** "In it we tracked production gallonage —versus consumption gallonage using sales figures from stores, which is the way many other reports gather their data."

In addition to gallonage, the report also tracks U.S. and regional container mix by package type. Revealed here is the astounding impact of plastics on the soft drink market.

In under three years, plastics captured almost one-fifth of the total mix. The 2-L container dominated through 1980, and with the successful introduction of the .5-L in 1981, the share of market for this material can be expected to increase.

This has caused shifts in container market share in virtually all regions, although it has had different influences in different regions.

For example, in the South plastic has captured 16.6% of the market, affecting cans only slightly, while one-way glass is actually up. Returnables were most affected with share of market dropping almost 10 percentage points since PET was introduced.

In the West Central area, cans have lost 15.3 percentage points in the last three years; one-way glass has more than doubled its market share.

Other sections contained in the 1981 Soft Drink Market and Packaging Report are: National and regional sales trends; Low calorie vs. regular softr drink regional and national trends; Trends in U.S. flavor sales; National and regional sales trends by types of outlets; Consumption of soft drinks by major

(Continued from page 13)

Bulk vs. packaged trends, 1978–'80

South

	Bulk		Packaged		Total
	Gallonage (000)	% of total	Gallonage (000)	% of total	Pkg/bulk (000)
1978	454,300.7	22.5	1,560,369.8	77.5	2,014,670
1979	469,220.6	22.7	1,597,830.4	77.3	2,067,051
1980	492,762.2	22.9	1,659,037.8	77.1	2,151,800

Northeast

1978	267,289.5	19.2	1,124,843.5	80.8	1,392,133
1979	290,883.4	19.5	1,200,091.6	80.5	1,490,975
1980	290,780.1	18.9	1,252,711.2	81.1	1,544,650

East Central

1978	355,098.0	21.1	1,326,321.0	78.9	1,681,419
1979	380,303.2	21.5	1,388,548.8	78.5	1,768,852
1980	398,043.1	21.6	1,437,256.9	78.4	1,834,300

West Central

1978	136,546.5	20.2	539,426.5	79.8	675,973
1979	142,454.5	20.5	552,445.5	79.5	694,900
1980	153,079.5	21.0	575,870.5	79.0	728,950

Southwest

1978	210,569.5	24.2	659,552.5	75.8	870,122
1979	228,819.4	24.6	701,340.6	75.4	930,160
1980	224,751.2	24.8	742,148.8	75.2	986,900

West

1978	57,851.1	23.4	189,375.9	76.6	247,227
1979	63,837.7	24.2	199,954.3	75.8	263,792
1980	70,343.7	24.6	215,606.3	75.4	285,950

Pacific

1978	217,046.0	25.8	624,094.0	74.2	841,097
1979	232,439.8	25.9	665,011.2	74.1	897,451
1980	242,581.0	26.5	672,819.0	73.5	915,400

Total U.S. projections 1980–1985

	Bulk		Packaged		Total Pkg/bulk
	Gallons (Billions)	% Total	Gallons (Billions)	% Total	Gallons (Billions)
1980	1.90	22.4	6.49	77.6	8.5
1981	1.98	22.5	6.82	77.5	8.8
1982	2.06	22.6	7.04	77.4	9.1
1983	2.16	22.7	7.34	77.3	9.5
1984	2.24	22.9	7.56	77.1	9.8
1985	2.36	23.1	7.84	76.9	10.2

Source: Beverage Marketing Corporation; Beverage Data Bank™

Copyright: Beverage Industry, July 23, 1982

Beerball

(Continued from page 4)

In late spring, Matt installed a blowmolding machine to make the PET container. Designed and built by Cincinnati Milacron, the system includes three auxiliary units besides the blowmolder: an air compressor, an air dryer and a water cooling system.

preform heating

The system first heats a preform in a radio frequency oven. The pre-form is a tube about a foot long, from Johnson Enterprises. The hot form is expanded by a burst of air pressure in a Beerball-shaped mold. (The finished container holds 2.25 cases.) The walls of the mold are chilled to 40 degrees F. by the water circulation system, causing the form to solidify.

In the final step, the mold opens, clamshell-style, to release the PET Beerball onto a conveyor. The system can produce one container every 15 seconds, according to Robert Flaherty, Matt's public relations director.

The container cap is metal, installed using a hydraulic crimper, designed at the brewery, Flaherty said. The pump, purchased separately, has been redesigned by Johnson into a shorter version, he added.

"Knowing that the new system would be installed was a major factor in Matt's decision not to raise the price of Beerballs along with the recent Matt's price increase," said brewery president, F.X. Matt, II.

"Producing the ball here is far more efficient," he said. "Our supplier was shipping a lot of air when we were receiving the old Beerball. Now, he will be shipping only the small pre-forms, so we'll save on freight.

"It will give us more precision at the mouth of the ball because the neck and flange around the opening is already in the preform. The new process can't warp or egg-shape at the mouth, so we'll get a better seal when we cap the filled ball."

•For more information on **Johnson Enterprises,** circle no. 533 on reader service card; for **Cincinnati Milacron,** circle no. 534; for **Matt Brewery,** circle no. 535.

SD report

(Continued from page 10)

brands and companies; and Advertising expenditures by major brands and companies. All sections contain data from 1970 through 1980.

To obtain a copy of the complete report, contact Beverage Marketing Corp., 2670 Commercial Ave., Mingo Junction, OH 43938; phone 614/598-4133, or, in New York, 212/688-7640.

Rush scores sales boost with 'Ginseng'

CHICAGO, IL — With a past dating to the beginning of recorded history, ginseng beverages have maintained a quiet yet assured position in the beverage industry. Today's market, thirsty for soft drinks stamped "all-natural" or "caffeine free," can find satisfaction in a new beverage that is rapidly gaining ground in the industry.

Corr's Rush Beverages, Inc., entered the soft drink business in 1978 with Ginseng Rush and an initial production run of 93 cases. The subsequent popularity of the drink is reflected in the company's sales figures. Robert Corr, president of Rush Beverages, stated, "Our first year we did $200,000 in sales, our second

Rush Beverages' "Ginseng Rush."

rose to $600,000 and in our third year we jumped to $1.2 million.

In 1982, our sales will top $2.5 million. By 1985 we'll probably be doing about $8 million in sales." Ginseng Rush is bottled in 10 oz and quart bottles in Chicago, Denver, Los Angeles, San Francisco, and New Bedford, MA. The bottlers add water and fructose to the company's basic formula blended in Chicago.

Corr noted that Ginseng Rush is similar to a formula used at the turn of the century by a beverage firm competing with Coca-Cola. Like other beverages of that time, the drink was promoted for its medicinal values. Back in 1906, the drink, called GinSeng Beverage, was one of Coca-Cola's chief competitors. Unfortunately, the firm suffered a series of events forcing it out of business. The bottling facilitiy for GinSeng, located on top of a steep hill, drew its water from a nearby stream. Vehicles couldn't make it up the hill. Reconstruction to alleviate this problem caused the stream to stop running. Forced to relocate, the firm lost sales to Coca-Cola and eventually went under.

Corr's Ginseng Rush, unplagued by problems of an earlier day, has formulated the beverage to meet today's tastes. The present day beverage is a lighter mixture of filtered water, ginseng extract, fennel, vanilla and approximately 15 other ingredients. With about 3 grams of ginseng extract per bottle, GinSeng Rush contains no artificial flavors or preservatives.

Selling in excess of 400,000 10-oz bottles a month, Corr still realizes the vast expansion his product could undergo in the beverage market. With fewer than 25% of all health food stores carrying Ginseng Rush, Corr sees great potential in restaurants and appropriate drinking establishments. Yet for expansion Corr needs distributorships to move his product to retail and on-premise locations throughout the country.

(Continued on page 21)

Container mix by package type, 1978-'80

South

	Cans		Returnables		Plastic		One-way-glass		Total packaged
	Gallonage (000)	%*	Gallonage (000)	%*	Gallonage (000)	%*	Gallonage (000)	%*	Gallonage (000)
1978	493,076.7	31.6	658,475.8	42.2	159,157.7	10.2	249,659.1	16.0	1,560,369.3
1979	520,892.7	32.6	573,621.1	35.9	260,446.3	16.3	242,870.2	15.2	1,597,830.4
1980	517,619.8	31.2	560,754.8	33.8	275,400.3	16.6	305,262.9	18.4	1,659,037.8

Northeast

1978	506,179.6	45.0	114,734.0	10.2	191,223.4	17.0	312,706.5	27.8	1,124,843.5
1979	450,034.3	37.5	122,409.3	10.2	242,418.5	20.2	385,229.4	32.1	1,200,091.6
1980	355,770.0	28.4	220,477.2	17.6	319,441.3	25.5	357,022.7	28.5	1,252,711.2

East Central

1978	522,570.5	39.4	657,855.2	49.6	83,558.2	6.3	62,337.1	4.7	1,326,321.0
1979	509,597.4	36.7	592,910.3	42.7	162,460.2	11.7	61,096.1	4.4	1,388,548.8
1980	557,655.7	38.8	570,590.9	39.7	247,208.2	17.2	61,802.0	4.3	1,437,256.9

West Central

1978	314,485.6	58.3	173,155.9	32.1	9,709.7	1.8	42,075.3	7.8	539,426.5
1979	274,565.4	49.7	192,803.5	34.9	38,671.2	7.0	48,615.2	8.8	552,445.5
1980	247,624.3	43.0	203,282.3	35.3	32,824.6	5.7	92,139.3	16.0	575,870.5

Southwest

1978	315,925.6	47.9	272,395.2	41.3	16,488.8	2.5	54,742.8	8.3	659,552.5
1979	333,838.1	47.6	244,767.9	34.9	77,147.5	11.0	45,587.1	6.5	701,340.6
1980	321,350.4	43.3	216,707.5	29.2	123,938.8	16.7	80,152.1	10.8	742,148.4

West

1978	146,198.2	77.2	36,360.2	19.2	4,545.0	2.4	2,272.5	1.2	189,375.9
1979	134,169.3	67.1	40,790.7	20.4	9,397.8	4.7	15,596.4	7.8	199,954.3
1980	140,144.1	65.0	50,541.9	23.4	14,464.1	8.1	7,546.2	3.5	215,606.3

Pacific

1978	287,707.3	46.1	252,134.0	40.4	22,467.7	3.6	61,785.3	9.9	624,094.0
1979	381,716.4	57.4	152,952.6	23.0	62,511.0	9.4	67,831.1	10.2	665,011.2
1980	302,768.6	45.0	220,011.8	32.7	100,922.8	15.0	49,115.8	7.3	672,819.0

Total U.S.

1978	2,638,504.4	43.8	2,277,065.5	37.8	457,822.7	7.6	650,590.1	10.8	6,023,982.7
1979	2,679,719.5	42.5	2,131,165.2	33.8	920,562.5	14.6	573,775.2	9.1	6,305,222.4
1980	2,438,686.5	37.2	2,012,572.0	30.7	1,173,454.0	17.9	930,896.5	14.2	6,555,609.2

* Percentage of Total Packaged

Note: Regional totals may vary due to rounding

Source: Beverage Marketing Corporation; The Beverage Data Bank™
NSDA Annual Sales Survey

Copyright: Beverage Industry, July 23, 1982

Impact

(Continued from page 4)

than U.S.-made vintages on a percentage basis, 1980-'81. The imports were up 11.9% or 114.2 million gallons. Imported wines continue to take a larger share of the domestic wine market; in 1981, imports' share was 22.6%; California's share held steady at 69.1%, or 348.4 million gallons.

Wine from other states lost market share last year; off 5.1% to 42.1 million gallons, according to Impact. California table wine volume last year rose 8.1% to 268.6 million gallons. Imported table wines rose 10.7% to 100.8 million gallons; imports' share of table wines increased to 25.9%.

Table wines from Italy were up 10.3% to 59.9 million gallons; Italy exports almost four times more table wine to the U.S. than does its next competitor, France. Table wines from France were up last year to 15 million gallons, 32.3% increase. Next was Germany, with 13 million gallons in 1981, 11.8% better than '80.

Portugal and Spain lost American market share in table wine last year; down 5.6% and 17.1% repectively; according to Impact.

Other countries with increased U.S. market share in 1981 include Hungary, up 31%, Chile, up 22.4% and Yugoslavia, up 11.9%. Italy had 59.4% of the U.S. table wine market last year; France had 14.9% and Germany captured 12.9%. Impact says that of the top 20 imported table wine brands in the U.S. in 1981, 11 were Italian.

In general, according to Impact, the American wine market experienced solid growth in 1981; Impact expects the market to double by 1990.

A-B expands LA brewery to avoid capacity shortfall

VAN NUYS, CA — In an effort to abate an expected shortage of capacity during the next several years, Anheuser-Busch is moving full ahead in brewery expansion to accommodate future market demands for their beer. The recently completed expansion of A-B's brewery here can be viewed as a massive step in the commitment to meet those expected demands from the market.

High construction costs and the rollout of Budweiser Light, one of the most important developments in the Brewing industry in recent years say many industry observers, may play against A-B in meeting production demands in the coming years. Glenn Jost, assistant plant manager for A-B's Van Nuys brewery, said, "To meet future demands, we are refurbishing and expanding a brewery acquired from Schlitz in Baldwinsville, N.Y. When that operation comes on stream in about February, 1983, capacity will be increased to approximately 7 million barrels. Another brewery due for completion in late 1983 is the expansion of an existing plant in Houston which should produce about 5 million barrels. And projecting down the road, from what I understand from our corporate management, we are looking at another brewery, possibly in Colorado."

The push to increase annual production capacity by A-B was most impressively demonstrated with the $500 million completion of the Van Nuys operation. The expansion, which took nearly three years, increased the brewery's annual production from 4 to 11 million barrels. Now the second largest in the A-B 11 brewery system, the completion of the expansion makes Los Angeles the nation's brewing capitol with more production capacity than any other city.

four expansions

Since its opening in 1954 the brewery has undergone four expansions to bring it to the massive size of 50.9 acres (2.2 million square feet). This expansion, the most ambitious in A-B's history, also houses 82 of the world's largest chip (lagering) tanks, 4,000 barrels each, measuring 79 feet long and 17 feet in diameter. The expanded brewery also has the two largest and fastest can-filling lines with 130-spout fillers that can fill 1,800 cpm.

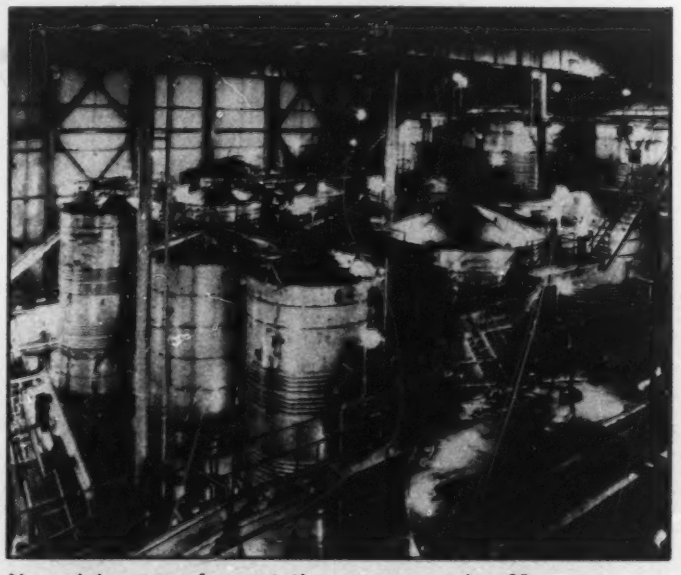
Shipments of beer have now increased to 315 trucks per day and 114 railcars per week. Sixty independent wholesalers, along with the company-owned wholesales operations in Riverside and Sylmar, are the core of A-B's beer warehousing and distribution system throughout the state. These production and distribution facilities will enable A-B to sell more beer in California than any other state.

A venture of this magnitude has even had an economic impact on California. More than 2,000 are employed at A-B facilities, throughout the state, approximately 1,300 at the Van Nuys brewery alone. The brewer's employment taxes exceed $3 million with state and local taxes of $12.6 million. This is separate from the millions of dollars in purchases of materials and supplies from California businesses.

From any aspect, public or private, the Van Nuys expansion was a hurculean task perhaps only A-B could have managed in today's market. Yet even amidst the awe such a brewery can inspire, analysts in the brewing industury still see a chronic shortage of capacity for the next several years.

In a strategic analysis report from Sanford C. Bernstein & Co., Inc., capacity is seen slated to grow at about a 6% annual rate through the mid-1980's. The report stated that the relatively slow rate reflects management's reluctance to accept the financial risks of a higher growth rate. "Given this condition, we expect the company (A-B) to pursue a pricing strategy greared toward margin improvement. Our forecast calls for more than half of Anheuser's earnings growth (estimated at 17%-18% per year) to derive from increases in profit per barrel," the report said.

Future market demands will inspire expansion and innovation from A-B to meet capacity, but given the present cost of construction, another Van Nuys operation may not be a possible or practical answer to the question of shortages.



New alpha-stage fermentation room contains 20 tanks that hold 6,200 gallons each.

Wine entering distribution channels by origin

Origin	1980 % of market	1980 million gallons	1981 % of market	1981 million gallons	Percent change 1980-81
California	68.7%	248.6	69.0%	268.6	8.1%
Other States	6.1	21.9	5.1	19.7	– 10.0
United States	74.8	270.5	74.1	288.3	6.6
Imports	25.2	91.1	25.9	100.8	10.7
Total	100.0%	361.6	100.0%	389.1	7.6%

Source: IMPACT DATABANK

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Wine entering distribution channels by type

Type	1980 % of market	1980 million gallons	1981 % of market	1981 million gallons	Percent change 1980-81
Table	75.6%	361.6	77.1%	389.1	7.6%
Dessert	9.4	44.9	8.2	41.5	– 7.5
Vermouth	1.8	8.7	1.6	8.0	– 7.6
Sparkling	6.3	30.1	6.7	34.0	12.8
Special Natural	6.8	32.4	6.3	31.5	– 2.8
Other Imported	0.1	0.5	0.1	0.6	16.0
Total	100.0%	478.2	100.0%	504.7	5.6%

Source: IMPACT DATABANK

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Wine entering distribution channels by origin

Origin	1980 % of market	1980 million gallons	1981 % of market	1981 million gallons	Percent change 1980-81
California	69.4%	331.7	69.1%	348.4	5.3%
Other States	9.3	44.4	8.3	42.1	– 5.2
United States	78.7	376.1	77.4	390.5	3.8
Imports	21.3	102.1	22.6	114.2	11.9
Total	100.0%	478.2	100.0%	504.7	5.6%

Source: IMPACT DATABANK

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O'Keefe lowers costs with wrap around caser

WINNIPEG, MANITOBA—Carling O'Keefe Breweries of Canada, Ltd. recently changes its packaging of 12-pack cases of beer and by company estimates reduced packaging material costs by 8%. Two Wrap 5000 wraparound packaging machines from International Paper use corrugated blanks to wrap 12 341 ml (12 Imperial oz.) bottles per case at more than 36 cases per minute per machine.

The two machines replaced two case formers, a drop packer and a glue sealer that utilized regular slotted containers with top and bottom flaps.

The dropping action of the old machines required that the container's side-to-side dimensions be larger than was necessary. Also the design of the regular slotted container required extra room at the top and bottom to allow for the thickness of the short internal end flaps, resulting in excess space between these end flaps.

Carling O'Keefe was packing its seven brands of beer without partitions in the cartons which caused bottles to shift, resulting in label scuffing and glass breakage during packaging and throughout distribution.

tighter case

The brewery needed a cost-effective packaging system that could form a case tight enough to reduce bottle damage, secure enough to stack efficiently throughout distribution, and strong enough for consumers to carry, open and return with empties without glass breakage.

"The new IP machines eliminate the extra space by tightly forming a corrugated blank around the product, providing a more secure case," says Dennis Auld, Carling O'Keefe plant manager.

The wraparound packaging is also superior to an end-loaded container design we considered, because even that package needed extra box space to push in the bottles.

Wrap 5000 accumulates product automatically, forms a corrugated blank around the bottles, and then glue-seals the case. A high capacity, top sheet feeding system assures that a corrugated blank is continuously in position to accept the product. This means that while one case is being formed, another blank is already positioned to accept the next set of 12 bottles, In addition, a positive squaring device provides a squared package with a tight fit for better product protection and easier handling.

According to Auld, the wraparound case stacks better for more stable loads. "The new case has smooth surfaces on both top and bottom panels," he notes. "This results in better case-to-case contact and more secure pallet loads than the regular slotted container, which had the major bottom flaps overlapping in the center about an inch.

The new case design also provides Carling O'Keefe with a package that is stronger and more convenient for consumers. "The regular slotted container would bulge out when a consumer picked it up by the hand hole in the side panel," he says, "which often led to box failure and bottle breakage. The container was too weak to support this kind of handling.

"The wraparound case has a corrugated strip crossing the top panel from the hand hold in one side panel to the other side panel, reinforcing the case for the required cross-lateral strength," Auld explains. "In addition, the tab that seals the top panel to the side panel crosses just above the hand hole, so that anyone pick-

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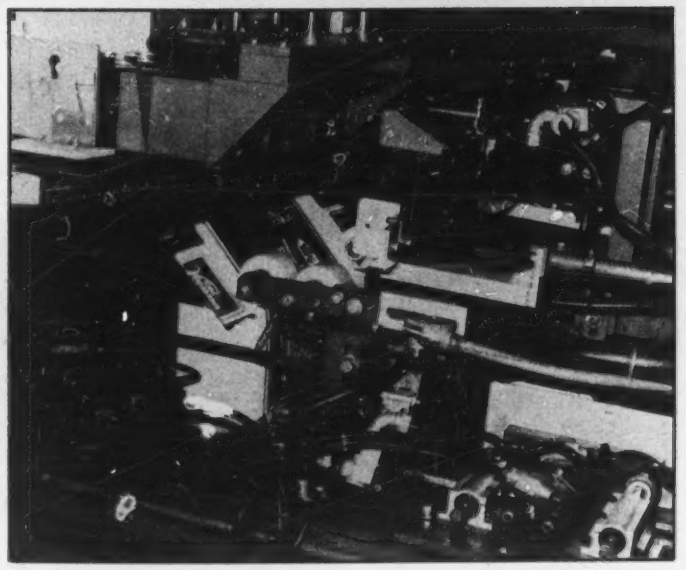

The Wrap 5000 automatically gathers and puts corrugated around the bottles, and glue-seals the case.

Forced deposits

(Continued from page 4)

were killed.

The full impact of New York's bottle bill on soft drink bottlers and brewers who distribute in the state and in other Northeastern states is, at this point, difficult to gauge. One probable effect, however, will be increased use of refillable containers. According to Beverage Data Bank figures for soft drinks (see chart, right), 1.5 billion refillable units were sold in the Northeast in 1980, over 443 million more than in '79. The majority of these were 16 oz. bottles. Maine and Vermont had forced deposits in effect that year. Returnables' share of market in those states rose by about 70%.

Rough estimates are that 200 million cases of soft drinks (192 oz. per case) were sold in New York State last year. Of that, approximately 35%, or 77 million cases, were in cans. Sources say that 12.6 million barrels of beer were sold in New York State in 1980. The same figure can be used for 1981, since beer sales in the state were "flat" last year. No other sales or packaging mix figures for New York State were available at presstime.

Sidney Mudd and the New York Industry-Labor Committee for Resource Recovery, which he chairs, have said it would cost New York brewers, beer wholesalers and soft drink bottlers $350 million to reinstall a deposit system. Another $137 million would be needed for retailers to convert to a returnable, partially refillable system for the state.

Miller Brewing Co., Fulton, NY, supplies to New York, and to other states with deposit laws in effect. The brewery is reportedly thinking about converting to returnables, at an estimated cost of between $75 and $100 million. A spokesman for the Anheuser-Busch brewery in Newark, NJ, says that facility supplies both one-way and returnable bottles. Currently, the brewery has no plans to convert to all returnables, even though much of its territory lies in southern New York State. The returnable bottles are heavier and costlier; a total conversion may not be cost effective.

Apparently, the decision for soft drink bottlers or brewers to convert to all returnables would depend on their sales volume in deposit states. New York State, with 10% of the U.S. population and correspondingly high beverage sales volume, must now be counted as one of those deposit states.

The NYS bottle bill:

- Takes effect July 1, 1983.
- Puts a 5 cent minimum deposit on glass, plastic or metal bottles or cans containing carbonated soft drinks, mineral water, beer, ale or other malt beverages.
- Requires labels on containers indicating refund value.
- Requires dealers to redeem all containers of the same shape, size, color composition and brand they sell and refund the deposit.
- Requires wholesalers to redeem containers and refund deposits, plus 20% of the value of the deposit.
- Empowers the State Commissioner of Environmental Protection to issue rules and permits to set up independent redemption centers, to redeem containers and refund deposits.
- Provides that dealers and wholesalers can refuse to accept containers that aren't properly labeled, or are broken, corroded, rusted, or contain foreign substances.
- Bans plastic loop carriers and pop-tops on cans.
- Sets up, in 1985, a temporary state commmision to review administration and impact of the law, and report to the Governor and legislature by 1987.
- Subjects violators of the act to a civil penalty of no more than $500 for each day the violation continues.

Northeast refillable packaging trends, 1978-80

	1978	1979	1980
6-9 oz.[1]			
Gallonage (000)	11,129.2	12,485.7	5,071.0
Gal. Percent Change Previous Year	-(11.4)	12.6	-(60.5)
Units (000)	189,938.3	213,090.1	86,544.6
10-12 oz.[2]			
Gallonage (000)	14,227.0	18,728.6	21,165.8
Gal. Percent Change Previous Year	18.8	31.7	13.4
Units (000)	165,550.7	217,933.1	246,293.1
16 oz./.5 liter			
Gallonage (000)	67,807.8	71,487.0	104,726.7
Gal. Percent Change Previous Year	11.7	5.5	46.6
Units (000)	542,462.3	571,896.2	837,813.4
24-32 oz./1 liter[3]			
Gallonage (000)	16,407.0	15,913.2	84,001.8
Gal. Percent Change Previous Year	4.9	3.0	428.3
Units (000)	65,627.8	63,652.8	336,007.2
48-64 oz./2 liter[4]			
Gallonage (000)	5,163.0	3,794.7	5,511.9
Gal. Percent Change Previous Year	1.1	(25.5)	44.7
Units (000)	10,326.1	7,589.4	11,023.8
Total Refillable Gallonage	114,734.0	122,409.3	220,477.2

[1]7.5 oz. equiv. [2]11 oz. equiv. [3]32 oz. equiv. [4]64 oz. equiv.

Source: Beverage Marketing Corporation, Beverage Data Bank

Note: Totals may vary due to rounding

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PET

(Continued from page 1)

the growth of plastic than any other package. During the time plastic has been in the market, can volume has declined 15%. Returnable gallonage is down drastically, 18.8%, but this container type has steadily lost market. Market share for returnables in 1980 was approximately half what it was in 1970.

Amidst the growth of plastics, many bottlers feel they have not been given the opportunity to understand the capabilities, properties and limitations of PET.

no choice

John F. Lasser, Jr., president of Lasser's Beverages in Chicago, said, "I feel I should have more information on the nature of the package. I'd have to read a couple of books on PET just to gain a basic knowledge. I don't think anything beats glass but it looks as if we have no choice in going into PET in a big way. In doing my own tests with the bottle, particularly the .5-L, I am not happy with the way it holds carbonation, the limited shelf life." Lasser acknowledged the popularity of the package and though he believes "this business was always based on glass" will begin bottling .5-L for a very large concern.

Echoing Lasser's trust in glass, H.O. Edwards, president and general manager of Mid-Continent Bottling in Jackson, TN, stated, "I've been a glass man for 34 years. With glass you have durability and your product is good for 90 to 120 days but we are getting into PET because it's what is selling in the market. Our competition is selling the devil out of PET in his operation. He's running both .5-L and 16 oz. but I feel that's just stealing shelf space with the .5-L. If he didn't have a real good advance sales system, he would have to dump a lot of his product."

Some bottlers are shying away from the .5-L PET bottle completely. Dan Gordon, plant superintendent for Coca-Cola Bottling in Moorhead, MN, stated, "Our director of engineering and technical people feel it's not a good move because of the initial cost for such an operation and the problems with shelf life."

technology

In light of these concerns raised by bottlers, plastic manufacturers are striving to find sound solutions through advancements in technology. Noel Malone, manager of beverage bottle polymer marketing for Eastman Chemical Products, said, "The 2-L is pretty well established and still has some growth left in it but the .5-L is the package on a lot of people's minds. We are very encouraged by what we see concerning the .5-L package. I don't think there is any question that it would be hard to duplicate the success of the 2-L with the .5-L. Maybe those who are disappointed at present with the .5-L were using the 2-L as their criterion."

Malone pointed out that the shrinking of the bottle down to the .5-L size also shrinks many of the advantages of plastic. "We as raw material producers don't see how the .5-L could be anymore successful considering price, properties and competitive activities," said Malone.

Answering the problem of shelf life, Malone sees polyvinyl dichloride (PVDC) coatings definitely improving barrier quality. But, he questions the necessity of a coating. Malone explained, "If the price of a plastic bottle is such that it becomes a viable package, the whole barrier question will go away—this is on a lot of people's minds.

"Let's suppose in a given market the plastic bottle is 10% higher in cost than the Plasti-Shield. It's reasonable that the plastic bottle salesman is going to hear 'we are going to need a 16-week shelf life on your bottle.' But let's suppose down the road glass becomes more expensive, leaving plastic to become equal to or 5% less in price. We think the emphasis on the barrier coating will diminish as the cost attraction increases."

Sewell Plastics has broken free from the production of PET for just the soft drink industry (though still making strides in that arena, most recently with their saran-coated .5-L PET). Sewell has plunged into the once-glass fortresses of the beer, wine and liquor industries.

A Sewell spokesman stated, "We have been working on PVDC coatings for two years now, and with that coating, in concert with PET, a package can be developed for oxygen-sensitive products such as beer and wine. Such a package will enable the introduction of beer in PET to be on the market in this country by the end of this year or the first quarter of next year. The first packages out will be in larger sizes. We feel consumers will view a 2-L or 72 oz. beer bottle in PET the same way they do any 2-L beverage bottle."

With respect to cost, Sewell agrees with Malone of Eastman in viewing the cost of plastics coming down. "We are able to pass cost savings on to our bottlers because of improved machine and processing efficiencies. The lightweighting of the containers has also brought costs down. A Sewell 2-L PET a year ago was 67 grams but today weighs in at only 58 grams.

Hesitant bottlers may feel impressed with the advances made in PET technology but a little uneasy about putting the product in their market. Perhaps the words of Noel Malone can offer some comfort and assurance: "Those who find themselves discouraged are using the phenomenal success of the 2-L as their criterion."

Total U.S. container mix by package type

	Cans		Returnables		Plastic		One-way-glass		Total packaged
	Gallonage (000)	%*	Gallonage (000)	%*	Gallonage (000)	%*	Gallonage (000)	%*	Gallonage (000)
1975	1,459,511.0	32.0	2,143,658.2	47.0	—	—	957,804.7	21.0	4,560,974.0
1976	1,779,669.4	34.5	2,269,723.3	44.0	—	—	1,109,069.3	21.5	5,158,462.2
1977	2,153,866.9	38.2	2,272,273.2	40.3	—		1,212,254.9	21.5	5,638,395.2
1978	2,638,504.4	43.8	2,277,065.5	37.8	457,822.7	7.6	650,590.1	10.8	6,023,982.7
1979	2,679,719.5	42.5	2,131,165.2	33.8	920,562.5	14.6	573,775.2	9.1	6,305,222.4
1980	2,438,686.5	37.2	2,012,572.0	30.7	1,173,454.0	17.9	930,896.5	14.2	6,555,609.2

*Percentage of Total Packaged
Note: Regional totals may vary due to rounding

Source: Beverage Marketing Corporation; The Beverage Data Bank™ NSDA Annual Sales Survey
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Total U.S. package mix projections

	Cans		Returnables		One-Ways		Plastic	
	Gallons (Billions)	% Market	Gallons (Billions)	% Market	Gallons (Billions)	% Market	Gallons (Billions)	% Market
1980	2.44	37.2	2.01	30.7	0.93	14.2	1.17	17.9
1981	2.33	34.2	2.11	30.9	1.08	15.8	1.30	19.1
1982	2.43	34.5	2.09	29.7	1.12	15.9	1.40	19.9
1983	2.53	34.5	2.17	29.5	1.16	15.8	1.48	20.2
1984	2.62	34.7	2.19	29.0	1.19	15.8	1.55	20.5
1985	2.74	34.9	2.19	28.0	1.25	15.9	1.66	21.2

Source: Beverage Marketing Corporation, The Beverage Data Bank™
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O'Keefe

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ing up the case grabs two layers of corrugated for extra strength."

Auld also noted that two perforated top opening flaps, placed on either side of the corrugated strips, have been added to the top panel for increased consumer convenience. "Each flap provides easy access to six bottles at a time," he says.

In addition to providing Carling O'Keefe with a better package, the Wrap 5000 machines enable the company to cut costs and increase efficiences.

material costs

"We reduced material costs more the 8% because the wraparound blanks use less corrugated board than the regular slotted containers," says Auld. "In addition, we now have the potential to increase case production if necessary because each IP machine can produce 36 cases per minute compared to 28 cpm for each of the previously used case formers with accompanying drop packer and glue sealer.

Auld also says that the corrugated blanks use less warehouse space than the knocked-down containers. "We have 25% more usable warehouse space to store materials," he says "because 2000 blanks can be stored in the same space as 1500 preformed containers."

The new package is stronger, and more convenient.

The brewery currently uses the Wrap 5000 machines to package only 12-pack cases, which represent the bulk of the company's business. Auld adds that the machines could be modified for other packages. "If we ever decide to package 6- or 24 pack cases, the wraparound machines give us that potential," he says.

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